

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

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CIEP-01 LAB-04 SIL-01 OMB-01 EUR-12 IGA-02 AGR-05

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FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 365

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ALSO PASS AID WASHINGTON

E.O. 11652: N/A

SUBJ: URUGUAYAN BALANCE OF PAYMENTS OUTLOOK

REF: STATE 275435 MONTEVIDEO A-122

1. SUMMARY: THE OUTLOOK FOR URUGUAYAN BOP IN 1976 IS FOR A SLIGHT IMPROVEMENT IN ITS OVERALL DEFICIT. THIS IS MADE UP OF A SHARP IMPROVEMENT IN THE CURRENT BALANCE FORESEEN FOR NEXT YEAR AND AN ALMOST OFFSETTING DETERIORATION IN SERVICES AND CAPITAL ACCOUNTS. THE FORECAST ASSUMES SOME IMPROVEMENT IN THE ARGENTINE SITUATION AND A CONSTANT LESSENING OF THE INFLOW OF FLIGHT CAPITAL FROM THERE. END SUMMARY.

2. URUGUAYAN EXPORTS SHOULD REACH 358 (ALL FIGURES IN \$ MILLIONS UNLESS OTHER INDICATED), WITH IMPORTS OF 510. MEAT SALES HAVE PICKED UP RECENTLY, ALTHOUGH AT LOWER PRICES, AND SHOULD REACH 79, WHILE WOOD EXPORTS ARE AT A RECORD LEVEL OF 90. NON-TRADITIONAL EXPORTS,  
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INCLUDING FOOD GRAINS, ALSO INCREASED SIGNIFICANTLY. FOR 1976 WE FORESEE EXPORTS OF 416. THIS INCLUDES A CONTINU-

ING IMPROVEMENT IN MEAT (90), LARGELY BASED ON INCREASED VOLUMES. WOOL SALES WILL BE DOWN SLIGHTLY, AND OTHER EXPORTS UP.

3. ON THE IMPORT SIDE, THE TOTAL SHOULD REACH 510 THIS YEAR (CIF). THERE WILL BE NO GRAIN IMPORTS, BUT PETROLEUM PURCHASES WILL BE 165, UP 10 PERCENT FROM 1974. FOR NEXT YEAR WE FORESEE A VERY MODEST GROWTH OF IMPORTS TO 525, INCLUDING 175 OF PETROLEUM. THUS, THE OVERALL TRADE DEFICIT WILL DECREASE THIS YEAR FROM MINUS 152 TO MINUS 109 IN 1976. THIS ASSUMES THE CONTINUATION, AND PERHAPS A REINFORCEMENT, OF THE GOV'S CURRENT STRATEGY OF ENCOURAGING EXPORTS AND RESTRAINING IMPORTS.

4. SERVICES ACCOUNT WILL DETERIORATE NEXT YEAR, WITH AN INCREASE IN INTEREST PAYMENTS ON URUGUAY'S GROWING FOREIGN DEBT, AND THE ANTICIPATED ELIMINATION OF ITS SURPLUS (15) ON THE TRAVEL ACCOUNT. OVERALL, WE EXPECT THE CURRENT ACCOUNT WILL IMPROVE FROM MINUS 194 TO MINUS 177 NEXT YEAR.

5. ON CAPITAL ACCOUNTS, WE ANTICIPATE THE PUBLIC SECTOR NET POSITIVE BALANCE WILL BE ABOUT THE SAME AT 81, WITH LARGER AMORTIZATIONS BEING OFFSET BY INCREASED LENDING, ALMOST ALL OF WHICH IS FROM MULTI-LATERAL SOURCES.

6. NET PRIVATE SECTOR CAPITAL FLOWS, INCLUDING ERRORS AND OMISSIONS, ARE EXPECTED TO DECREASE FROM 34 TO 25. THESE NET FIGURES CONCEAL LARGE INFLOWS OF ARGENTINE FLIGHT CAPITAL, AS WELL AS SUBSTANTIAL NEGATIVE ERRORS AND OMISSIONS.

7. OVERALL, THE CENTRAL BANK'S FOREIGN ASSETS BALANCE IS EXPECTED TO DECLINE BY 77 THIS YEAR AND 71 NEXT YEAR. CHANGES ARE LARGELY ON THE LIABILITY SIDE.

8. THE ABOVE FIGURES FOR 1975 ARE PROJECTIONS BASED IN MOST CASES ON 9 MONTHS DATA. 1976 FIGURES ARE EMBASSY ESTIMATES AND ARE CLOSE TO CENTRAL BANK/IMF ESTIMATES. EMBASSY ESTIMATES FOR TRADE FIGURES ARE SLIGHTLY WORSE THAN CENTRAL BANK'S BECAUSE OF THE DIFFERENCE IN PETROLEUM LIMITED OFFICIAL USE  
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IMPORT AND MEAT EXPORT FORECASTS. BOP FIGURES FOR 1974 ARE IN MONTEVIDEO A-78.

9. BEST AVAILABLE CURRENT \$ GNP IS IBRD ESTIMATE OF 3,764 FOR 1974. REAL GROWTH RATE FOR GDP IS ESTIMATED BY CENTRAL BANK AT 1.9 PERCENT IN 1974, 3.7 PERCENT IN 1975 AND 3.5 PERCENT IN 1976. THE ESTIMATED TERMS OF TRADE INDEX IS NOT AVAILABLE, BUT IS CLEARLY NEGATIVE IN 1975 AND SHOULD BE NEUTRAL IN 1976. TRANSFERS ARE NOT SIGNIFICANT. GDP DEFLATOR WAS 87 PERCENT IN 1974 AND ESTIMATED AT 98 PERCENT IN 1975,

AND AT 55 PERCENT IN 1976.

10. AS OF SEP 30, 1975, PUBLIC SECTOR FOREIGN DEBT WAS 647, PLUS AN UNKNOWN AMOUNT OF DOLLAR-DENOMINATED DOMESTIC TREASURY BONDS ACTUALLY OWNED BY FOREIGNERS. PRIVATE SECTOR FOREIGN DEBTS ARE NOT REGISTERED, BUT SUPPLIER CREDITS ARE ESTIMATED AT 129.5 AND COMMERCIAL BANK DEBTS AT 39. THE FIGURE FOR SUPPLIER CREDITS INCLUDES AN UNDETERMINED BUT SIGNIFICANT AMOUNT OF CREDITS FOR PUBLIC SECTOR ENTERPRISES. 1976 DEBT SERVICE WILL BE 162 FOR PUBLIC SECTOR AND 26 FOR PRIVATE SECTOR.

11. URUGUAY'S CURRENT ECONOMIC REFORM PROGRAM IS AIMED AT ACHIEVING EQUILIBRIUM IN ITS INTERNATIONAL PAYMENTS OVER THE NEXT SEVERAL YEARS AND IT IS PREMISED UPON A GRADUAL IMPROVEMENT IN INTERNATIONAL TRADING CONDITIONS, SPECIFICALLY A REOPENING OF THE EUROPEAN MEAT MARKET AND IMPROVING PRICES, WHICH IS EXPECTED TO BEGIN TOWARD THE END OF 1976. FOR A DESCRIPTION OF THE GOU ADJUSTMENT POLICIES, AND ITS STABILIZATION PROGRAM, SEE MONTEVIDEO 4117, 4192 AND PREVIOUS MESSAGES. THESE POLICIES HAVE HAD SOME SUCCESS, WITH CPI INFLATION RATE FALLING FROM 107 PERCENT LAST YEAR TO ABOUT 60 PERCENT IN 1975. DESPITE ADVERSE TRADING CONDITIONS, NON-TRADITIONAL EXPORTS ROSE 17 PERCENT THIS YEAR AND A GREATER IMPROVEMENT IS EXPECTED NEXT YEAR. THE BIGGEST OUTSTANDING PROBLEM IS THE CONTINUING HIGH-LEVEL FISCAL DEFICIT WHICH IS RUNNING AT 27 PERCENT OF EXPENDITURES. TO DATE A LARGE PART OF THIS HAS BEEN FINANCED BY SALES OF BONDS TO FOREIGNERS.

12. URUGUAY DOES NOT EXPECT TO IMPORT ANY FOOD GRAINS IN LIMITED OFFICIAL USE  
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CY 1975 AND 1976. IN FACT, IT IS BECOMING A MODEST EXPORTER, WITH SHIPMENTS THIS YEAR OF 70,000 MT OF WHEAT AND 80,000 MT OF RICE.

13. DETAILED FIGURES FOLLOW BY AIRGRAM.  
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## Message Attributes

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